



CITY COUNCIL AGENDA REPORT

MEETING DATE: JULY 21, 2009

ITEM NUMBER:

VI-7

SUBJECT: SOLE SOURCE PURCHASE TRACTOR DRAWN AERIAL LADDER TRUCK (TDA)

DATE: JULY 16, 2009

FROM: MIKE MORGAN, FIRE CHIEF

PRESENTATION BY: MIKE MORGAN, FIRE CHIEF

FOR FURTHER INFORMATION CONTACT: MIKE MORGAN, FIRE CHIEF (714) 754-5106
KEITH JONES, DEPUTY CHIEF (714) 754-5106
BRENT TURNER, FIRE ENGINEER (714) 754-5005

RECOMMENDED ACTION:

1. Authorize the sole source purchase of a 100' Tractor Drawn Aerial Ladder Truck (TDA), from South Coast Fire Equipment, Inc., 2020 South Baker, Ontario, CA 91761. The total net purchase cost, including state/local taxes, manufacturer-discount, and financing costs shall be \$1,135,659.80.
2. Adopt Resolution to authorize the sole source purchase the TDA (Attachment 6).

BACKGROUND:

In FY 2007-08 proposed budget, Fire Department and Public Services-Fleet Maintenance staff recommended that the 1989 E-One 100'-Quint Aerial Ladder Truck be replaced due to increasing maintenance costs and time out-of-service for repairs. This recommendation was approved in the FY 07-08 adopted budget. Subsequent to approval and adoption, in light of declining City revenue, the Fire Chief, City Manager, and Public Services-Fleet Maintenance staff, decided to extend the service life of the existing 100'-Quint for an additional two-years (if possible) to defer the expenditure and conserve City funds.

In June 2009, the E-One fire apparatus failed to pass certification of the 100' aerial ladder due to cracks in the welds and metal fatigue. Fleet Maintenance staff explored the possibility and costs for repairs and concluded that the repair of the ladder would exceed the value of the twenty-year-old apparatus. The cost to repair the ladder was quoted at \$73,864.00. Additional anticipated maintenance and failure costs provided by Fleet Maintenance totaled \$117,880.00 for a grand total of likely expenses over the next two years of \$191,744.00 (see Attachment 1). The recommendation was made to the Fire Department to replace the twenty-year old 100'-Quint with a new TDA to ensure appropriate life and property protection for the residents and businesses of Costa Mesa.

ANALYSIS:

The metropolitan and industrial composition of Costa Mesa presents a complex challenge to firefighters with an integral framework of high-rise/mid-rise apartments and hotels, vast shopping complexes, numerous industrial centers with limited and narrow access, and multi-story world-class performing arts facilities. These homes, businesses, residents, and patrons must be protected and the 100' TDA is a necessity to address the associated life safety and property protection concerns. The new TDA will provide excellent maneuverability, extended reach with the aerial ladder, and professional firefighting tools that will save many lives and protect property for years to come.

The recommended TDA shall be financed through Oshkosh Capital, 155 East Broad Street, Columbus, OH 43215 on a five-year lease-to-purchase basis (six-year timeframe total) with zero money down, interest only payment after one year, and five consecutive annual payments. Finance charges over the six-year purchase-plan total \$152,615.26 which will be offset by interest gained over the six-year period (\$165,243.93 assuming 4% interest) by investing the principal required for purchase as a component of the Equipment Replacement Fund (see Attachment 2). The overall cost of the TDA based upon these criteria and assumptions will be \$970,415.90.

The five-year purchase-plan is one of three available from Oshkosh Capital, a three-year and seven-year plan are also available (see Attachments 3a, 3b). All plans include a manufacturer discount of \$46,051.00 and a performance bond of \$9.00 per \$1,000.00 which is provided at no cost by the manufacturer. The five-year plan is recommended based upon the anticipated service life of the vehicle, typically fifteen to twenty years, and the ability to spread the expense into post-recession years while realizing interest gains within the Equipment Replacement Fund during the purchase period. The recommended five-year purchase/delivery timeline and payment schedule is as follows:

- | | |
|-------------------|--|
| • August 01, 2009 | TDA ordered and construction initiated |
| • March 01, 2010 | TDA delivered and placed into service |
| • July 15, 2010 | Interest only payment due - \$37,454.00 |
| • July 15, 2011 | First payment due - \$219,641.16 |
| • July 15, 2012 | Second payment due - \$219,641.16 |
| • July 15, 2013 | Third payment due - \$219,641.16 |
| • July 15, 2014 | Fourth payment due - \$219,641.16 |
| • July 15, 2015 | Fifth and Final payment due - \$219,641.16 |

ALTERNATIVES CONSIDERED:

The TDA is the industry standard for metropolitan and industrial environments such as the City of Costa Mesa. Although straight chassis aerial ladder trucks are still manufactured, this configuration was not considered as an alternative based upon maneuverability and access requirements. The 100' capability of the aerial is a necessity to protect our high-rise and mid-rise City framework. The vendor selected is the sole source provider (see Attachment 4) of; Detroit Diesel engines which are preferred by Fleet-Services to ensure uniform maintenance with existing apparatus, guaranteed a rapid delivery date of 8.5 months which is vital to restoring 100' aerial capability back to the City and, the only manufacturer of a steel ladder with a 500# tip-load flowing water through an aerial monitor at 1500gpm. These features are preferred

by Fleet-Services and the Fire Department for maintenance, safety, and efficient operations. The recommended vendor has offered pricing based on a competitively bid contract awarded by the City of Upland on February 12, 2008 (see attachment 5), with Costa Mesa Fire specifications. Brea, Garden Grove, and Huntington Beach have also utilized the City of Upland contract for recent purchases.

FISCAL REVIEW:

The five-year lease to purchase plan requires no capital outlay in FY 09-10, minimal outlay in FY 10-11 (interest only \$37,454.00), and no additional payment until July of 2011 when the first of five annual payments of \$219,641.16 will commence. This delayed payment plan assists the City's cash flow requirements as we navigate through the current recession. When compared to an outright purchase, and considered in the context of interest earned on principal retained in the equipment replacement fund, invested throughout the six-year period (estimated yield of 4%), the finance charges are negated and result in an overall purchase price reduction of \$17,518.23 at the conclusion of the finance period.

The three-year and seven-year finance plans also provide reductions (\$7,361.56 and \$7,209.92 respectively) however, the five-year plan and overall six-year purchase period based upon costs and estimates provided is the preferred financing scenario.

LEGAL REVIEW:


None required until contract review.

CONCLUSION:

Staff recommends that City Council approve the sole source purchase of the 100' Tractor Drawn Aerial. Staff also recommends that a five-year (six-year total timeframe) purchase agreement be entered into with Oshkosh Capital for the purchase of the TDA.



MIKE MORGAN
Fire Chief



MARC R. PUCKETT
Director of Finance

ATTACHMENTS:

- 1 100'-Quint Repair Estimate
- 2 Five-year Purchase Plan – Investment Plan
- 3a Three-year, Five-year, and Seven-year Purchase Plan
Descriptions
- 3b Amortization Schedules – Three-year, Five-year,
Seven-year
- 4 Justification for Sole Source Request
- 5 Inter Agency Transaction
- 6 Resolution

Distribution: City Manager
Assistant City Manager
Deputy City Clerk
Director of Finance
Facilities & Equipment Supervisor
Staff

Peter,

This e-mail is a follow up on our discussion yesterday of repairing or replacing Quint #3 / Unit #517 which is a 1989 E-One. This unit was budgeted for replacement as it had exceeded its life expectancy. Fleet supported deferring replacement of this unit due to our economical situation in the hopes that it would effectively provide service for two additional years. During this years annual third party ladder certification process for Quint #3, it was determined that the ladder developed a structural crack in the fly section, which is the upper end of the ladder where the person platform pivots. E-One (OEM manufacturer) has made the determination that the ladder is not repairable, and this has rendered the unit unsafe for aerial use. The cost to replace the ladder fly section, related hydraulics and cables alone are estimated at about \$73,864 excluding tax or freight. The new fly section would need to be fabricated as it is not in current production. The down time for repair is estimated to be about two months.

This ladder truck has negligible resale value in this failed condition and would provide minimal return. As a reference, Quint #6 which was the sister ship, sold on Public Surplus and yielded \$74,000 as its aerial system was functional. Please call on me if further clarification is needed.

Thanks,

John Aguilar

Facility & Equipment Supervisor

City of Costa Mesa

714-327-7483 fax 714-327-7556

If this unit was repaired, forecasted costs for two years of typical maintenance and potential significant failure could be:

Estimated two year maintenance cost

• Consumables (tires, etc)	\$ 6,184
• Normal Service labor	\$ 2,196
• PM labor costs	\$ 3,329
• Repair labor costs	\$10,687
• Repair parts costs	\$ 7,365
• Ladder certification 2 yrs	\$ 1,300
• Fluids & filters	\$ 1,600
• Fuel cost	\$16,219
TOTAL	\$48,880

Significant failure costs

• Potential engine rebuild	\$40,000
• Transmission rebuild	\$18,000
• Rear suspension rehabilitation	\$ 5,000
• Pump rehabilitation	\$ 6,000
TOTAL	\$69,000

Pierce TDA Five-Year Purchase Plan

<u>Purchase Activity</u>	<u>Timeline</u>	<u>1-Aug-09</u> TDA Ordered	<u>1-Mar-10</u> TDA Delivered	<u>1-Jul-10</u> Interest Only Payment	<u>1-Jul-11</u> 1st Annual Payment	<u>1-Jul-12</u> 2nd Annual Payment	<u>1-Jul-13</u> 3rd Annual Payment	<u>1-Jul-14</u> 4th Annual Payment	<u>1-Jul-15</u> Final+\$1.00 Buyout
Purchase Account		\$ 983,044.54		\$ 983,044.54	\$ 985,641.29	\$ 806,204.74	\$ 619,487.90	\$ 425,194.17	\$ 223,014.85
Interest on Account (@ 4%)									
Payment (includes finance charges and sales tax)		\$ -	\$ -	\$ 37,454.00	\$ 219,641.16	\$ 219,641.16	\$ 219,641.16	\$ 219,641.16	\$ 219,641.16
Running Account Value (+)interest (-)payment		\$ 983,044.54		\$ 985,641.29	\$ 806,204.74	\$ 619,487.90	\$ 425,194.17	\$ 223,014.85	\$ 12,628.64
Quoted Vehicle Cost:		\$ 983,044.54							
Actual Vehicle Cost:		\$ 1,135,659.80	(-)	\$ 165,243.90	(=)	\$ 970,415.90			
		Overall Payments	(-)	Interest Earned	(=)	Actual Vehicle Cost			

Plan Description:

* 5-year lease-to-buy over 6-years - first payment "interest only" July 2010 - five annual payments July 2011, 2012, 2013, 2014, 2015

* Account is defined as the quoted purchase price of the TDA (increases with interest gained - decreases with payments made

* Plan assumes that Account earns interest @ 4% compounded monthly during purchase period.



July 6, 2009

SALES ORGANIZATION: South Coast - Jay Bressler
LESSEE: Costa Mesa TDA CA
TYPE OF EQUIPMENT: Pierce Heavy Duty 100' TDA on an Arrow XT MUX chassis
EQUIPMENT COST: \$950,000.00 less discounts of \$46,051.00 - sales
 tax of \$79,095.54 included in financing (amount to finance \$983,044.54)
CUSTOMER DOWNPAYMENT:
TRADE-IN: \$0.00
DELIVERY TIME: 8 Months
PAYMENT MODE: Annual In Arrears
FIRST PAYMENT DUE DATE: See below
LEASE COMMENCEMENT DATE Upon contract signing with Pierce

Term	Number of Payments	Payment Amount
3 years	3 annual	1 @ \$33,325.21 due July, 2010 - interest only 3 @ \$ 350,145.16 due July, 2011, 2012, and 2013
5 years	5 annual	1 @ \$36,274.34 due July, 2010 - interest only 5 @ \$218,898.98 due July, 2011, 2012, 2013, 2014 and 2015
7 years	7 annual	1 @ \$39,223.48 due July, 2010 - interest only 7 @ \$163,724.15 due July, 2011, 2012, 2013, 2014, 2015, 2016, and 2017

The above listed payment(s) reflect all program discounts available exclusively through Oshkosh Capital. There are no closing costs or documentation fees associated with the completion of this financing.

NOTE: All lease documents must be fully executed within 14 days of the date of this proposal. Failure to receive completed documents may alter the final payment schedule due to changes in rates and/or discounts.

PERFORMANCE BOND: To utilize the prepay program, a performance bond is required. Said performance bond shall be paid for directly to Pierce manufacturing or financed by Oshkosh Capital as part of the transaction

TYPE OF FINANCING: Tax-exempt Lease Purchase Agreement with a \$1.00 buy out option at end of lease term. Said agreement shall be a net lease arrangement whereby lessee is responsible for all costs of operation, maintenance, insurance, and taxes.

BANK QUALIFICATION: This proposal assumes that the lessee will not be issuing more than \$10 million in tax-exempt debt this calendar year. Furthermore, it is assumed that the lessee will designate this issue as a qualified tax-exempt obligation per the tax act of 1986.

LEGAL TITLE: Legal title to the equipment during the lease term shall vest in the lessee, with Oshkosh Capital perfecting a first security interest

AUTHORIZED SIGNORS: The lessee's governing board shall provide Oshkosh Capital with its resolution or ordinance authorizing this agreement and shall designate the individual(s) to execute all necessary documents used therein.

LEGAL OPINION: The lessee's counsel shall furnish Oshkosh Capital with an opinion covering this transaction and the documents used herein. This opinion shall be in a form and substance satisfactory to Oshkosh Capital.

VOLUNTEER FIRE DEPARTMENTS: If Lessee is a Volunteer Fire Department, a public hearing under the requirements of Section 147(f) of the Internal Revenue Code of 1986 shall be conducted to authorize this transaction. It is recommended that a notice of the public hearing be published 10 to 14 days in advance of the public hearing.

This proposal will be valid for fourteen (14) days from the above date and is subject to final credit approval by Oshkosh Capital and approval of the lease documents in Oshkosh Capital's sole discretion. To render a credit decision, lessee shall provide Oshkosh Capital with their most recent two years' audited financial statements, copy of their most recent interim financial statement, and current budget.

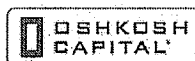
Accepted by:

Proposal submitted by:

Lessee

Date

Kim Simon



Oshkosh Capital | Loc 16-0056 | 155 East Broad St | Columbus, OH 43215 | Ph: (800) 820-9041, ext. 1 | Fax: (800) 678-0602

costa Mesa

CASH FLOW DATA

Event	Date	Amount	Number
1 Loan	07/15/2009	983,044.54	1
2 Payment	07/15/2010	Interest Only	1
3 Payment	07/15/2011	350,145.16	3

AMORTIZATION SCHEDULE - Normal Amortization

	Date	Payment	Interest	Principal
Loan	07/15/2009			
2009 Totals		0.00	0.00	0.00
1	07/15/2010	33,325.21	33,325.21	0.00
2010 Totals		33,325.21	33,325.21	0.00
2	07/15/2011	350,145.16	33,325.21	316,819.95
2011 Totals		350,145.16	33,325.21	316,819.95
3	07/15/2012	350,145.16	22,585.01	327,560.15
2012 Totals		350,145.16	22,585.01	327,560.15
4	07/15/2013	350,145.16	11,480.72	338,664.44
2013 Totals		350,145.16	11,480.72	338,664.44
Grand Totals		1,083,760.69	100,716.15	983,044.54

Costa Mesa

Compound Period: Annual

Nominal Annual Rate: 3.810%

CASH FLOW DATA

Event	Date	Amount	Number
1 Loan	7/15/2009	983,044.54	1
2 Payment	7/15/2010	Interest Only	1
3 Payment	7/15/2011	219,641.16	5

AMORTIZATION SCHEDULE - Normal Amortization

	Date	Payment	Interest	Principal
Loan	7/15/2009			
1	7/15/2010	37,454.00	37,454.00	0.00
2	7/15/2011	219,641.16	37,454.00	182,187.16
3	7/15/2012	219,641.16	30,512.67	189,128.49
4	7/15/2013	219,641.16	23,306.87	196,334.29
5	7/15/2014	219,641.16	15,826.53	203,814.63
6	7/15/2015	219,641.16	8,061.19	211,579.97

Last interest amount decreased by 0.01 due to rounding.

Costa Mesa

CASH FLOW DATA

Event	Date	Amount	Number
1 Loan	07/15/2009	983,044.54	1
2 Payment	07/15/2010	Interest Only	1
3 Payment	07/15/2011	163,724.15	7

AMORTIZATION SCHEDULE - Normal Amortization

	Date	Payment	Interest	Principal
Loan	07/15/2009			
2009 Totals		0.00	0.00	0.00
1	07/15/2010	39,223.48	39,223.48	0.00
2010 Totals		39,223.48	39,223.48	0.00
2	07/15/2011	163,724.15	39,223.48	124,500.67
2011 Totals		163,724.15	39,223.48	124,500.67
3	07/15/2012	163,724.15	34,255.90	129,468.25
2012 Totals		163,724.15	34,255.90	129,468.25
4	07/15/2013	163,724.15	29,090.12	134,634.03
2013 Totals		163,724.15	29,090.12	134,634.03
5	07/15/2014	163,724.15	23,718.22	140,005.93
2014 Totals		163,724.15	23,718.22	140,005.93
6	07/15/2015	163,724.15	18,131.98	145,592.17
2015 Totals		163,724.15	18,131.98	145,592.17
7	07/15/2016	163,724.15	12,322.86	151,401.29
2016 Totals		163,724.15	12,322.86	151,401.29
8	07/15/2017	163,724.15	6,281.95	157,442.20
2017 Totals		163,724.15	6,281.95	157,442.20
Grand Totals		1,185,292.53	202,247.99	983,044.54

JUSTIFICATION FOR SOLE SOURCE REQUEST

Date: 07/21/2009 Dept./Div.: Fire Department Phone: 714-754-5106Contact: Fire Chief Mike Morgan or Deputy Chief Keith JoneDescription of Equip./Service Req.: 100' Tractor Drawn AerialRecommended Vendor: South Coast Fire Equipment, Inc.Address: 2020 South Baker, Ontario CA 91761 Phone: 949 496 3093

1. Check reason for sole source request:

- ☒ **Sole Source:** No other items are known to exist which perform the same function.
- ☐ **Proprietary:** The item is held under exclusive title, trademark or copyright by a private person or company; a proprietary distributorship would also apply.
- ☒ **Standardization:** The City requires the item(s) to standardize parts, design, quality, etc. (explain in more detail below)

2. Is the product or service available from other sources?

- ☐ Yes
- ☒ No

If YES, list name of vendors:

If NO, explain why the product/service is available from only one source:

(1) Pierce Manufacturing represented by South Coast Fire Equipment, Inc. is the only manufacture that offers a 100' steel aerial ladder that has a 500 # tip load while flowing water at 1500 gallons per minute from the tip mointor. (2) Pierce Manufacturing is the only manufacturer that offers a Detroit Diesel powerplant which is consistent with current apparatus and prefered by Fleet Services - This fleet consistancy simplifies service and repairs. Fleet Services is able to stock one brand of parts from one manufacturer.

3. Can your requirements be modified so that competitive products or services may be used?

- ☐ Yes
- ☒ No Please explain:

(1) No other manufacturer offers a 100' steel aerial ladder that has a 500 # tip load while flowing water at 1500 gallons per minute from the tip monitor. Pierce is also able to guarantee delivery in 8.5 months which is significantly quicker than other manufacturers.

4. How does the recommended vendor's prices or fees compare to the general market?

The price is compitive with the general market, Pierce has bid a price that includes discounts and incentives and allows piggy-back discounts on the same equipment purchased by the cities of Brea, Garden Grove, and Huntington Beach.

Dept./Div. Head's Signature: _____ Date: _____

Purchasing Supervisor's Signature: _____

Date: _____

Purchasing Officer's Signature: _____

Date: _____

The Bressler Group, Inc**27475 Via Ramona San Juan Capistrano, Ca 92675****949 496-3093 Fax 949 240-6873****Representing South Coast Fire Equipment****Pierce Manufacturing, Inc****Date: 7/10/09****To: Purchasing City of Costa Mesa****Attn: D. Casper****Ref: 1 100' Heavy Duty Tractor Drawn Aerial****Inter Agency Transaction with the City of Upland on a Pierce
100' TDA Purchase Order # 80357 Dated 2/12/08****\$950,475.00****City of Costa Mesa Changes****Graphics -475.00****950,000.00****Less any prepaids and any applicable taxes**

RESOLUTION NO. 09-XX

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF COSTA MESA, CALIFORNIA, TO AUTHORIZE A SOLE SOURCE PURCHASE TRACTOR DRAWN AERIAL LADDER TRUCK (TDA)

THE CITY COUNCIL OF THE CITY OF COSTA MESA HEREBY RESOLVES AS FOLLOWS:

Municipality/Lessee: City of Costa Mesa

Principal Amount Expected To Be Financed: \$1,150,000.00

WHEREAS, the City of Costa Mesa ("City") is a municipal corporation of California and is duly organized and existing pursuant to the Constitution and laws of the State.

WHEREAS, pursuant to applicable law, the City is authorized to acquire, dispose of and encumber real and personal property, including, without limitation, rights and interest in property, leases and easements necessary to the functions or operations of the Municipality.

WHEREAS, the City hereby finds and determines that the execution of one or more Master Lease-Purchase Agreements ("Leases") in the principal amount not exceeding the amount stated above for the purpose of acquiring the property ("Equipment") to be described in the Leases is appropriate and necessary to the functions and operations of the Municipality.

WHEREAS, Oshkosh Capital ("Lessor") shall act as Lessor under said Leases.

NOW, THEREFORE, Be It Ordained by the City:

1. Either one of Mike Morgan, Fire Chief OR Marc Puckett, Director of Finance (each an "Authorized Representative") acting on behalf of the City, is hereby authorized to negotiate, enter into, execute, and deliver one or more Leases in substantially the form set forth in the document presently before the City, which document is available for public inspection at the office of the Municipality. Each Authorized Representative acting on behalf of the City is hereby authorized to negotiate, enter into, execute, and deliver such other documents relating to the Lease as the Authorized Representative deems necessary and appropriate. All other related contracts and agreements necessary and incidental to the Leases are hereby authorized.
2. By a written instrument signed by any Authorized Representative, said Authorized Representative may designate specifically identified officers or employees of the City to execute and deliver agreements and documents relating to the Leases on behalf of the City.
3. The aggregate original principal amount of the Leases shall not exceed the amount stated above and shall bear interest as set forth in the Leases and the Leases shall contain such options to purchase by the City as set forth therein.
4. The Municipality's obligations under the Leases shall be subject to annual appropriation or renewal by the City as set forth in each Lease and the City's obligations under the Leases shall not constitute general obligations of the City or indebtedness under the Constitution or laws of the State.
5. As to each Lease, the Municipality reasonably anticipates to issue not more than \$10,000,000 of tax-exempt obligations (other than "private activity bonds" which

are not "qualified 501 © (3) bonds") during the fiscal year in which each such Lease is issued and hereby designates each Lease as a qualified tax-exempt obligation for purposes of Section 265(b) of the Internal Revenue Code of 1986, as amended.

6. This resolution shall take effect immediately upon its adoption and approval.

NOW, THEREFORE, BE IT RESOLVED that the City Council of the City of Costa Mesa hereby approves that the Fire Department purchase a 100" Tractor Drawn Aerial Ladder Truck from South Coast Fire Equipment, Inc.

PASSED AND ADOPTED this X day of X, 2009.

Allan R. Mansoor, Mayor

ATTEST:

APPROVED AS TO FORM:

Julie Folcik, City Clerk

Kimberly Hall Barlow, City Attorney

STATE OF CALIFORNIA)
COUNTY OF ORANGE) ss
CITY OF COSTA MESA)

I, JULIE FOLCIK, City Clerk of the City of Costa Mesa, DO HEREBY CERTIFY that the above and foregoing is the original of Resolution No. 09- and was duly passed and adopted by the City Council of the City of Costa Mesa at a regular meeting held on the 21st day of July, 2009, by the following roll call vote, to wit:

AYES: COUNCIL MEMBERS: BEVER, MANSOOR, DIXON, FOLEY, LEECE

NOES: COUNCIL MEMBERS: NONE

ABSENT: COUNCIL MEMBERS: NONE

IN WITNESS WHEREOF, I have hereby set my hand and affixed the seal of the City of Costa Mesa this X day of July, 2009.

JULIE FOLCIK, CITY CLERK

(SEAL)